OBLIGATED GROUP
FINANCIAL STATEMENT
(UNAUDITED)

2nd QUARTER
MARCH 2019

Obligated Group Financial Statements and Other Financial Information
(Unaudited)

For the Quarter and Six Months Ended March 31, 2019

Contents

SHARP HEALTHCARE
OBLIGATED GROUP BALANCE SHEET (UNAUDITED)
March 31, 2019
($ in 000's)

ASSETS

	MARCH 2019	MARCH 2018 (as restated)	SEPTEMBER 2018 (as restated)
Current assets:			
Cash and cash equivalents	$ 251,391	$ 260,207	$ 374,261
Short-term investments	46,740	46,617	46,855
Accounts receivable, net	597,543	593,674	511,579
Intercompany receivables, net	848	1,767	720
Estimated settlements receivable from government programs, net	1,432	2,120	470
Inventories	46,950	45,773	46,619
Prepaid expenses and other	58,168	71,055	54,975
Total current assets	1,003,072	1,021,213	1,035,479
Long-term investments	231,612	213,753	215,573
Assets limited as to use:			
Designated for property	2,346,936	2,116,638	2,253,997
Under bond indentures	66,628	162,436	108,261
Total assets limited as to use	2,413,564	2,279,074	2,362,258
Net property, plant and equipment	1,473,547	1,331,236	1,456,942
Other assets	65,752	70,043	63,884
Beneficial interest in foundations	105,412	94,453	104,628
Total Assets	$ 5,292,959	$ 5,009,772	$ 5,238,764

LIABILITIES AND NET ASSETS

	MARCH 2019	MARCH 2018 (as restated)	SEPTEMBER 2018 (as restated)
Current liabilities:			
Accounts payable and accrued liabilities	$ 297,665	$ 298,042	$ 333,715
Intercompany payables, net	34,319	2,197	39,846
Accrued compensation and benefits	148,811	143,893	164,048
Current portion of long-term debt	17,636	18,451	17,467
Accrued interest	3,836	4,397	3,761
Total current liabilities	502,267	466,980	558,837
Long-term liabilities	110,250	136,648	100,625
Reserves for professional liability	3,700	4,700	3,700
Long-term debt	755,645	811,646	759,075
Total liabilities	1,371,862	1,419,974	1,422,237
Net Assets:			
Unrestricted	3,837,420	3,514,886	3,732,676
Temporarily restricted	74,655	66,014	74,857
Permanently restricted	9,022	8,898	8,994
Ending net assets	3,921,097	3,589,798	3,816,527
Total Liabilities and Net Assets	$ 5,292,959	$ 5,009,772	$ 5,238,764

OBLIGATED GROUP STATEMENT OF OPERATIONS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2019 AND SIX MONTHS ENDED MARCH 31, 2019
($ in 000's)

QUARTER					YEAR - TO - DATE			
Last Year (as restated)	Actual	Budget	Variance	D E S C R I P T I O N	Last Year (as restated)	Actual	Budget	Variance
$ 492,584	$ 499,894	$ 511,281	$ (11,387)	NET PATIENT SERVICE REVENUE	$ 990,713	$ 993,617	$ 1,017,171	$ (23,554)
56,774	59,330	59,330	-	PROVIDER TAX REVENUE	113,547	118,661	118,661	-
259,790	265,202	267,439	(2,237)	PREMIUM REVENUE	507,651	524,897	525,952	(1,055)
27,780	23,315	28,227	(4,912)	OTHER OPERATING REVENUE	53,844	57,017	56,784	233
836,928	847,741	866,277	(18,536)	TOTAL OPERATING REVENUE	1,665,755	1,694,192	1,718,568	(24,376)
				OPERATING EXPENSES:				
402,754	421,371	422,039	668	Staffing	804,597	841,730	846,799	5,069
105,115	103,957	110,362	6,405	Supplies	205,311	213,901	218,805	4,904
85,087	86,609	91,965	5,356	Medical fees	164,152	173,853	180,488	6,635
81,854	87,177	83,975	(3,202)	Purchased services	162,353	173,028	169,855	(3,173)
31,453	32,892	32,892	-	Provider tax	62,904	65,785	65,785	-
32,138	32,217	31,806	(411)	Maint., utilities & rentals	60,928	61,495	63,889	2,394
3,330	3,631	3,730	99	Business insurance	6,609	7,287	7,463	176
7,160	7,110	7,591	481	Other	14,320	14,970	16,409	1,439
748,891	774,964	784,360	9,396	TOTAL OPERATING EXPENSES	1,481,174	1,552,049	1,569,493	17,444
88,037	72,777	81,917	(9,140)	EBITDA from Operations	184,581	142,143	149,075	(6,932)
27,650	30,133	29,847	(286)	Depreciation & amortization	55,185	59,855	59,142	(713)
24	20	22	2	Taxes	47	41	43	2
5,590	5,347	6,765	1,418	Interest	10,734	10,225	13,557	3,332
54,773	37,277	45,283	(8,006)	INCOME FROM OPERATIONS	118,615	72,022	76,333	(4,311)
6.5%	4.4%	5.2%	-	% OF OPERATING REVENUE	7.1%	4.3%	4.4%	-
				NON-OPERATING INCOME (LOSS)				
(12,891)	170,177	22,644	147,533	Investment income (loss)	52,638	29,739	49,258	(19,519)
2,138	(2,169)	-	(2,169)	Mark to market swaps	2,304	(4,171)	-	(4,171)
51	517	414	103	Other income (loss)	(10,581)	1,152	414	738
(10,702)	168,525	23,058	145,467	TOTAL NON-OPERATING INCOME (LOSS)	44,361	26,720	49,672	(22,952)
44,071	205,802	68,341	137,461	EXCESS OF REVENUE OVER EXPENSES	162,976	98,742	126,005	(27,263)
5.3%	24.3%	7.9%	-	% OF OPERATING REVENUE	9.8%	5.8%	7.3%	-
$ 77,335	$ 241,302	$ 104,975	$ 136,327	EBITDA	$ 228,942	$ 168,863	$ 198,747	$ (29,884)

SHARP HEALTHCARE
OBLIGATED GROUP STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2019
AND SIX MONTHS ENDED MARCH 31, 2019
($ in 000's)

	Quarter	YTD	Prior YTD (as restated)
Unrestricted net assets:			
Excess of revenues over expenses	$ 205,802	$ 98,742	$ 162,976
Net assets released from restrictions used for the purchase of property, plant and equipment	1,030	5,044	8,400
Beneficial interest in foundations	2,761	958	1,737
Increase in unrestricted net assets	209,593	104,744	173,113
Temporarily restricted net assets:			
Beneficial interest in foundations	650	(202)	5,106
Increase (Decrease) in temporarily restricted net assets	650	(202)	5,106
Permanently restricted net assets:			
Beneficial interest in foundations	6	28	2,200
Increase in permanently restricted net assets	6	28	2,200
Increase in net assets	210,249	104,570	180,419
Net assets, beginning	3,710,848	3,816,527	3,409,379
Net assets, ending	$ 3,921,097	$ 3,921,097	$ 3,589,798

SHARP HEALTHCARE
OBLIGATED GROUP STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2019
AND SIX MONTHS ENDED MARCH 31, 2019
($ in 000's)

	Quarter	YTD	Prior YTD (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES AND OTHER INCOME:			
Increase in net assets	$ 210,249	$ 104,570	$ 180,419
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:			
Net assets transferred from related party	(60)	(2,675)	(6,646)
Depreciation and amortization of operating and nonoperating facilities	30,133	59,855	55,185
Amortization of deferred financing costs	(229)	(458)	(208)
Other non-operating (gains) losses, net	(46)	(165)	10,354
Change in fair value of swaps	2,169	4,171	(2,304)
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Short-term investments	35,105	115	2,291
Accounts receivable, net	(68,892)	(85,964)	(22,747)
Intercompany receivable	2,247	(5,655)	2,934
Est. settlements receivable from govt programs, net	199	(962)	(4,636)
Inventories	600	(331)	13
Prepaid expenses	2,005	(3,193)	(7,921)
Long-term investments	(7,170)	(16,039)	(17,235)
Assets Limited as to use	(169,157)	(51,308)	(226,909)
Other assets	2,062	(3,531)	(10,252)
(Decrease) increase in:			
Accounts payable and accrued liabilities	(13,776)	(36,050)	(34,575)
Accrued compensation and benefits	(20,306)	(15,237)	3,668
Accrued interest	(4,787)	75	666
Other long-term liabilities	3,643	9,625	9,459
Cash provided by (used in) operating activities	3,989	(43,157)	(68,444)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment, net of retirements	(38,347)	(73,620)	(80,447)
Investments in joint ventures	(3,292)	(3,292)	-
Cash used in investing activities	(41,639)	(76,912)	(80,447)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Current maturities and payments on long-term debt	(240)	(480)	(469)
Current payments under capital lease obligations	(1,176)	(2,323)	(2,144)
Extinguishment of long-term debt	-	-	(117,862)
Proceeds from the issuance of long-term debt, net	-	-	304,397
Cash provided by (used in) financing activities	(1,416)	(2,803)	183,922
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(39,066)	(122,872)	35,031
BEGINNING CASH AND CASH EQUIVALENTS BALANCE (1)	290,458	374,264	225,176
ENDING CASH AND CASH EQUIVALENTS BALANCE (2)	$ 251,392	$ 251,392	$ 260,207

SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING AND FINANCING ACTIVITIES:

	Quarter	YTD	Prior YTD
Capital lease obligations for building and equipment	**$ -**	**$ -**	**$ (544)**
Net assets transferred from a related party	**$ 60**	**$ 2,675**	**$ 6,646**

(1) Current year includes $3,000 of restricted cash that is a component of assets limited as to use, in accordance with new accounting requirements that became effective October 1, 2018.
(2) Includes $1,000 of restricted cash.

Sharp HealthCare
Notes to Obligated Group Financial Statements (Unaudited)
Quarter and Six Months Ended March 31, 2019

1. Summary of Significant Accounting Policies

Organization

Sharp HealthCare (SHC) is a California nonprofit public benefit corporation with corporate offices in San Diego, California. SHC, together with its affiliated entities (collectively Sharp), constitute a regional integrated health care delivery system which does business as Sharp HealthCare, primarily serving the residents of San Diego County and includes the following:

- Sharp Memorial Hospital (SMH), including Stephen Birch Healthcare Center, Sharp Mary Birch Hospital for Women & Newborns (SMBHWN), Sharp Outpatient Pavilion, Sharp Mesa Vista Hospital, and Sharp McDonald Center (formerly Sharp Vista Pacifica)
- Sharp Chula Vista Medical Center (SCVMC)
- Sharp Grossmont Hospital (SGH)
- Sharp Coronado Hospital and HealthCare Center (SCHHC)
- Sharp Health Plan (SHP)
- Continuous Quality Insurance SPC (CQI SPC)
- Sharp HealthCare Foundation (SHF)
- Grossmont Hospital Foundation (GHF)

SHC, SMH, SCVMC and SGH are collectively the "Obligated Group" under certain bond indentures. The obligated group records beneficial interest in SHF and GHF, which are not members of the obligated group.

SHC has certain contractual obligations with its affiliates that govern its operations and the use of certain assets. All significant transactions among Sharp's obligated group entities have been eliminated in the accompanying obligated group financial statements.

Use of Estimates

The preparation of Sharp's obligated group financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the obligated group financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (continued)

Changes in Presentation of Prior Periods

Effective October 1, 2018, Sharp adopted FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers ("ASC 606"). The primary impact of ASC 606 was to change the way Sharp accounts for the Medi-Cal Hospital Fee Program. Prior to ASC 606, accounting recognition of Medi-Cal Hospital Fee Program activity did not occur until the Centers for Medicare and Medicaid Services ("CMS") approved each of the Medi-Cal Hospital Fee Programs' individual components. Upon adoption of ASC 606, recognition of Medi-Cal Hospital Fee Program activity now occurs during the Medi-Cal Hospital Fee Program's specified timeline, regardless of whether CMS has approved. Pursuant to the ASC's transition guidance, the change has been applied retrospectively to the fiscal year 2018 balances presented in the accompanying balance sheet and statement of operations.

Effective October 1, 2018, Sharp adopted FASB ASU 2017-07, Compensation - Retirement Benefits ("Topic 715"): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. Under the new guidance, only the service cost component of net periodic benefit cost is presented in the staffing expenses line on the statement of operations. The other components, which include interest cost and adjusted returns on pension plan assets, are presented in non-operating income (loss) on the statement of operations. Pursuant to the ASU's transition guidance, the change has been applied retrospectively to the fiscal year 2018 balances presented in the accompanying statement of operations.

A summary of the effect of such retrospective adjustments is as follows:

1. Summary of Significant Accounting Policies (continued)

Changes in Presentation of Prior Periods (continued)

As of September 30, 2018	**($ in 000's)**		
	As previously reported	**Restatement impact**	**As restated**
Accounts receivable, net	$ 350,563	$ 161,016	$ 511,579
Prepaid expenses and other current assets	95,086	(40,111)	54,975
Accounts payable and accrued liabilities	381,272	(47,557)	333,715
Unrestricted net assets	**$ 3,564,214**	**$ 168,462**	**$ 3,732,676**

For the quarter ended March 31, 2018	**($ in 000's)**		
	As previously reported	**Restatement impact**	**As restated**
Provider tax revenue	$ 33,003	$ 23,771	$ 56,774
Staffing	401,385	1,369	402,754
Provider tax	22,790	8,663	31,453
Income from operations	**$ 41,034**	**$ 13,739**	**$ 54,773**
Non-operating income (loss)	(12,071)	1,369	(10,702)
Excess revenue over expense	**$ 28,963**	**$ 15,108**	**$ 44,071**

For the six months ended March 31, 2018	**($ in 000's)**		
	As previously reported	**Restatement impact**	**As restated**
Provider tax revenue	$ 163,971	$ (50,424)	$ 113,547
Staffing	801,859	2,738	804,597
Provider tax	110,509	(47,605)	62,904
Income from operations	**$ 124,172**	**$ (5,557)**	**$ 118,615**
Non-operating income (loss)	41,623	2,738	44,361
Excess revenue over expense	**$ 165,795**	**$ (2,819)**	**$ 162,976**

Absent the changes in accounting principle that became effective on October 1, 2018, Income from Operations for the quarter ended March 31, 2019 would have been lower by $14.6 million and Excess of Revenue over Expenses would have been lower by $16.4 million. Year to date, Income from Operations would have been lower by $29.1 million and Excess of Revenue over Expenses would have been lower by $32.8 million.

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less. Sharp routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations.

Inventories

Inventories, consisting principally of supplies, are stated at the lower of cost or market value.

Short-Term Investments

Short-term investments are classified as trading and include corporate and government obligation securities, which are included in professionally managed portfolios, and are measured at fair value in the balance sheet. The maturities of these securities do not exceed one year. Investment income or loss (including unrealized and realized gains and losses) is included in the obligated group Excess of Revenue over Expenses.

Long-Term Investments

Long-term investments are classified as trading, which are included in professionally managed portfolios, and are measured at fair value in the balance sheet. The maturities of these securities are in excess of one year or are investments in equities which are not expected to be liquidated over the next year. Investment income or loss (including unrealized and realized gains and losses) is included in the obligated group Excess of Revenue over Expenses.

Assets Limited as to Use

Assets limited as to use invested in debt and equity securities with readily determined fair values are measured at fair value in the balance sheet and are classified as trading. Investment income or loss (including unrealized and realized gains and losses) is included in the obligated group Excess of Revenue over Expenses unless the income or loss is restricted by donor or law.

1. Summary of Significant Accounting Policies (continued)

Assets Limited as to Use (continued)

Alternative investments represent ownership interests in a private equity limited partnership. The limited partnership has a general manager with full discretionary authority over investment decisions. The private equity limited partnership invests in companies operating in segments within the healthcare sector. Alternative investments are accounted for using the net asset value (NAV) expedient, which is determined using investment valuations provided by the general partner, and approximates fair value. Alternative investments generally are not marketable and have underlying investments which may not have quoted market values. The estimated value of such investments is subject to uncertainty and could have differed had a ready market existed. The overall risk is the investment and capital call commitments as discussed in Note 2.

Assets limited as to use primarily include assets set aside by Sharp's Board of Directors (the Board) for future capital improvements, over which the Board retains control and may at its discretion subsequently designate for other purposes, and amounts held by trustees under indenture agreements. Assets limited as to use consist of the following:

Designated for property **–** Cash resources not required for operations have been designated as funded depreciation to be used for future capital improvements. This designation may be changed and such funds used for other purposes – $26.7 million at March 31, 2019, and $26.0 million at March 31, 2018, of such assets are pledged as collateral for notes payable and other liabilities.

Under bond indentures **–** In accordance with the terms of Sharp's various bond indentures, certain bond proceeds and principal and interest payments have been deposited with a trustee and are limited as to use in accordance with the related indentures.

Derivative and Hedging Instruments

Sharp recognizes all derivatives on its obligated group balance sheets at fair value. Derivatives which are not effective hedges are adjusted to fair value through the obligated group statements of operations.

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset from 3 to 40 years and is computed using the straight-line method. Property and equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Such amortization is included in depreciation and amortization in the obligated group financial statements. Interest cost incurred on borrowed funds during the period of construction of qualifying capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Unamortized Financing Costs

Costs incurred in obtaining long-term financing are amortized over the terms of the related obligations using the effective interest method and are presented as a reduction to the carrying value of long term-debt.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by Sharp has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Sharp in perpetuity.

Impairment or Disposal of Long-Lived Assets

Sharp accounts for the impairment or disposal of long-lived assets using a future cash flow model to determine whether assets have been impaired. Sharp regularly reviews long-lived assets for circumstances which could indicate carrying values may not be recoverable. No impairments were recorded in fiscal years 2019 or 2018.

1. Summary of Significant Accounting Policies (continued)

Income from Operations

Sharp's primary purpose is to provide diversified health care services to the community served by its affiliates. Only those activities directly associated with the furtherance of this purpose are considered operating activities and classified as operating revenues and expenses. Items excluded from Income from Operations consist of investment income, gains and losses on disposition of property and equipment, changes in the fair value of swaps, and fundraising expense.

Excess (Deficit) of Revenue over Expenses

The accompanying obligated group statements of operations and changes in net assets include Excess (Deficit) of Revenue over Expenses and other changes in unrestricted net assets. Changes in unrestricted net assets which are excluded from Excess (Deficit) of Revenue over Expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, long-lived assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets, pension-related changes other than net periodic pension cost, and beneficial interest in the foundations.

Net Patient Service Revenues

Net Patient Service Revenue is reported at the amount that reflects the consideration to which Sharp expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for contractual allowances and potential retroactive revenue adjustments. Generally, Sharp bills patients and/or third-party payors after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Generally, performance obligations satisfied over time relate to hospital, psychiatric, or long-term care inpatient cases. Performance obligations for hospital outpatient services, physician visits, and for sale of patient consumables are generally delivered within the span of a single day.

Because Sharp's performance obligations relate to contracts with a duration of less than one year, management has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Such unsatisfied or partially unsatisfied performance obligations are primarily

1. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenues (continued)

related to inpatient services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period for all but the long-term care lines of service.

Sharp determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, explicit discounts provided to uninsured patients, if any, and implicit price concessions attributable to uninsured patients. Sharp determines its estimates of contractual adjustments, explicit discounts, and implicit price concessions based on contractual agreements, its discount policies, and historical experience. Sharp determines its estimate of implicit price concessions based on historical collection experience separately for inpatients and outpatients. Within each of those categories, estimates are derived separately for self-pay primary, co-pays, deductibles, and other forms of patient responsibility.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- The Medicare program reimburses Sharp at prospectively determined rates for the major portion of inpatient and outpatient services rendered to patients, primarily on the basis of Medicare Severity Diagnosis Related Groups and Ambulatory Payment Classification Groups, respectively. Non-acute inpatient services, defined capital costs, and certain outpatient costs are paid based on a cost reimbursement methodology. When paid under cost reimbursement, Sharp is reimbursed at the interim rate with final settlement determined after submission of annual cost reports and audits by the fiscal intermediaries.

- The Medi-Cal program reimburses Sharp primarily on the basis of All Patient Refined Diagnosis Groups for inpatient services and prospectively determined rates for outpatient services.

- Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determined daily rates.

1. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenues (continued)

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Sharp's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in for the six months ended March 31, 2019 or 2018.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Sharp also provides services to uninsured patients, and may offer those uninsured patients a discount from standard charges. Sharp estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of a deterioration in the overall credit worthiness of Sharp's self-pay population relative to that estimated at the time of service are recorded as bad debt expense.

Sharp provides care to patients regardless of their ability to pay. Patients who meet Sharp's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

The mix of obligated group hospital net patient service revenues, net of contractual allowances, discounts and provision for doubtful accounts was as follows:

	Six Months Ended March 31,	
	2019	**2018**
Government	**47%**	45%
Contracted	**52**	54
Self-pay and Other	**1**	1

1. Summary of Significant Accounting Policies (continued)

Provider Tax Revenue

California legislation established a program that imposes a Quality Assurance Fee (QA Fee) on certain general acute care hospitals in order to make supplemental and grant payments (Supplemental Payments) to hospitals up to the aggregated upper payment limit for various periods. There have been five such programs (the Medi-Cal Hospital Fee Programs) since inception in 2009.

The Medi-Cal Hospital Fee Programs require approval by CMS in order for them to be enacted. If federal approval is not obtained, provisions in the underlying legislation allow for the QA Fee, previously assessed, and Supplemental Payments, previously received, to be returned and recouped, respectively. Sharp considers such potential variability in its estimate of the transaction prices associated with Medi-Cal Supplemental Payments, which are reported in the accompanying statements of operations at amounts not in excess of those for which significant future reversals would be deemed probable.

Premium Revenues

Sharp has agreements with various employers and health maintenance organizations to provide medical services to subscribing participants. Under these agreements, Sharp receives monthly capitation payments based on the number of participants who have selected Sharp, regardless of services actually performed by Sharp. Stand-ready obligations pursuant to capitation contracts are satisfied over the related contract term.

Other Revenues

Other revenues include unrestricted donations, retail pharmacy gross profits, management services, and joint venture income.

Health Care Service Costs

Sharp contracts with certain health care providers for the provision of medical services to eligible members. These services include primary care and specialty physician services, inpatient and outpatient facility services, pharmacy, and other medical services. Providers are paid on capitated, per diem, and structured fee-for-service bases.

Health care service costs (included in medical fees and purchased services in the accompanying obligated group statements of operations) are accrued in the period in which the services are provided to enrollees, based in part on estimates, including estimates of medical services provided but not yet reported to Sharp.

1. Summary of Significant Accounting Policies (continued)

Charity Care

Sharp's policy is to accept all patients regardless of their ability to pay. In assessing a patient's ability to pay, Sharp utilizes financial eligibility requirements or criteria. Sharp provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Sharp does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

Charity care costs are calculated using a ratio of cost to gross charge methodology by department. The calculation includes direct revenues and costs of each department, in addition to a step down of overhead costs.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to Sharp are reported at fair value at the date the promise is received. Conditional promises to give and indications or intentions to give are reported at fair value at the date the gift becomes unconditional. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the obligated group statements of operations as other operating revenues. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the obligated group financial statements.

Income Taxes

The principal operations of Sharp are exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code and related California provisions.

Sharp recognizes tax benefits from any uncertain tax positions only if it is more likely than not the tax position will be sustained, based solely on its technical merits, with the taxing authority having full knowledge of all relevant information. Sharp records a liability for unrecognized tax benefits from uncertain tax positions as discrete tax adjustments in the first interim period that the more likely than not threshold is not met. Sharp recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of its assets and liabilities along with net operating loss and tax credit carryovers only for tax positions that meet the more likely than not recognition criteria. At March 31, 2019 and 2018, no such assets or liabilities were recorded.

1. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Pronouncements

In December 2016, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") 2016-19, *Technical Corrections and Improvements*, which amends various subsections of the FASB Accounting Standards Codification ("ASC"). While the majority of the amendments to the Codification are minor, FASB ASC 350-40 was amended to clarify that internal-use software licensed from a third party should be accounted for as the acquisition of an intangible asset and the incurrence of a liability (i.e., to the extent that all or a portion of the software licensing fees are not paid on or before the acquisition date of the license) by the licensee. Sharp adopted ASU 2016-19 on October 1, 2017, which did not have a material impact on Sharp's obligated group financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, March 2016, April 2016, and May 2016, the FASB issued ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12, respectively. These amendments to ASC 606 did not change the core principle of the guidance but rather clarified the implementation guidance for certain considerations. Sharp adopted ASU 2014-09 on October 1, 2018 which changed the way Sharp accounts for the Medi-Cal Hospital Fee Program. Prior to adoption the accounting recognition of Medi-Cal Hospital Fee Program activity did not occur until the Centers for Medicare and Medicaid Services ("CMS") approved each of the Medi-Cal Hospital Fee Program's individual components. Upon adoption, recognition of Medi-Cal Hospital Fee Program activity now occurs during the Medi-Cal Hospital Fee Program's specified timeline, regardless of whether CMS has approved. Pursuant to the ASC's transition guidance, the change has been applied retroactively to the fiscal year 2018 balances presented in the accompanying balance sheet and statement of operations.

1. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Pronouncements (continued)

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides revised guidance concerning certain matters involving the recognition, measurement, and disclosure of financial assets and financial liabilities. Among other things, ASU 2016-01 requires equity investments, except those accounted for under the equity method of accounting or those that result in consolidation, to be measured at fair value with changes in fair value recognized in net income, simplifies the impairment assessment of equity investments not having readily determinable fair values by requiring a qualitative assessment to identify impairment so that it is similar to the qualitative assessment applied to long-lived assets, goodwill, and indefinite-lived intangibles, and eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for non-public entities. The revised guidance does not alter the basic framework for classifying debt instruments held as financial assets. In February 2018, the FASB issued ASU 2018-03; this amendment to ASC 825-10 did not change the core principle of the guidance but rather clarified the implementation guidance for certain considerations. Sharp adopted ASU 2016-01 on October 1, 2018, which did not have a material impact on Sharp's obligated group financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, a consensus of the FASB Emerging Issues Task Force (EITF). This ASU, which addresses eight specific classification issues, is intended to reduce diversity in current practice regarding the manner in which certain cash receipts and cash payments are presented and classified in the cash flow statement, as GAAP did not include guidance on the cash flow statement classification of the issues covered prior to the guidance in ASU 2016-15. Sharp adopted ASU 2016-15 on October 1, 2018, which did not have a material impact on Sharp's obligated group financial statements.

In January 2017, the FASB issued ASU 2017-02, *Clarifying When a Not-for-Profit That is a General Partner or a Limited Partner Should Consolidate a For-Profit Partnership or Similar Entity*, which provides clarifying guidance on when a not-for-profit general partner should consolidate a for-profit limited partnership. The clarifying guidance maintains current U.S. GAAP under which a general partner is presumed to control a for-profit limited partnership, regardless of the level of ownership interest, unless the presumption of control is overcome. Sharp adopted ASU 2017-02 on October 1, 2018, which did not have a material impact on Sharp's obligated group financial statements.

1. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Pronouncements (continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, a consensus of the FASB Emerging Issues Task Force (EITF). The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this ASU do not provide a definition of restricted cash or restricted cash equivalents. Sharp adopted ASU 2016-18 on October 1, 2018, which had the impact of including $3,000 of restricted cash and restricted cash equivalents in the beginning-of-period amount and $1,000 of restricted cash and restricted cash equivalents in the end-of-period total amount shown on the accompanying statement of cash flows.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which amends the FASB ASC to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost in the financial statements. In particular, ASU 2017-07 requires the service cost component to be included in the same line item as other compensation costs arising from services rendered by relevant employees during the period, with the other (i.e., non-service cost) components of net benefit cost presented in the income statement separately from the service cost component. Sharp adopted ASU 2017-07 on October 1, 2018. Under the new guidance, only the service cost component of net periodic benefit cost is presented in the staffing expenses line on the accompanying statement of operations. The other components, which include interest cost and adjusted returns on pension plan assets, are presented in non-operating income (loss) on the accompanying statement of operations. Pursuant to the ASU's transition guidance, the change has been applied retroactively to the fiscal year 2018 balances presented in the accompanying statement of operations. In restating fiscal year 2018 balances, Sharp used the practical expedient made available in ASU 2017-07 for purposes of calculating the interim period totals for the non-service cost components of total pension cost.

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which establishes a new lease accounting model for lessees. Under the new guidance, lessees will be required to recognize so-called right-of-use assets and liabilities for most leases having terms of 12 months or more. However, lease expense will be recognized on the income statement in a manner similar to existing requirements. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes pre-effective technical corrections and adds clarifying guidance to the forthcoming new lease accounting rules. In August 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which (1) adds an optional transition method allowing entities to apply the new lease accounting rules through a cumulative-effect adjustment to the opening balance of retained earnings in the initial year of adoption, (2) adds an optional practical expedient permitting lessors, under certain circumstances, not to separate the lease and non-lease components by class of underlying assets, but rather to account for them as a single combined component, and (3) clarifies the accounting treatment for such a combined component. In December 2018, the FASB issued ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*, which makes limited pre-effective improvements and simplifications to the lessor accounting requirements concerning (1) sales taxes collected from lessees, (2) lessor costs paid by lessees, and (3) variable payments for contracts containing both lease and non-lease components. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842): Codification Improvements*, which makes minor clarifications and corrections relating to (1) the determination of fair value of the underlying asset by non-manufacturer and non-dealer lessors, (2) presentation of cash inflows from sales-type and direct financing leases, and (3) transition disclosures relating to a change in accounting principle upon the adoption of the new lease accounting requirements. The adoption of ASU 2016-02 is required for Sharp on October 1, 2019, and management is currently evaluating the effect of this guidance on Sharp's obligated group financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Under the new guidance, the current three classes of net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) have been replaced with two new classes of net assets: net assets with donor restrictions; and net assets without donor restrictions. The main provisions of this update are to present on the face of the statement of financial position and on the face of the statement of activities amounts for two classes of net assets at the end of the period, rather than for the currently required three classes, and continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method. This update also requires the enhanced disclosures about self-imposed limits on the use of resources, composition of net assets with donor

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

restrictions, disclosures about liquidity and availability of resources, amounts of expenses by both their natural classification and their functional classification, methods used to allocate costs among program and support functions, and other disclosures to improve the usefulness of information provided to donors, grantors, creditors, and other users of financial statements. The adoption of ASU 2016-14 is required for Sharp for the fiscal year beginning October 1, 2018 and for interim periods beginning October 1, 2019; which is not expected to have a material impact on Sharp's obligated group financial statements.

In March 2017, the FASB issued ASU 2017-06, *Plan Accounting—Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting, a consensus of the FASB Emerging Issues Task Force (EITF)*, which enhances the disclosure and financial statement presentation requirements for an employee benefit plan's interest in a master trust and aligns such requirements across all employee benefit plans. The adoption of ASU 2017-06 is required for Sharp on October 1, 2019, and management is currently evaluating the effect of this guidance, if any, on Sharp's obligated group financial statements.

In April 2017, the FASB issued ASU 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*, which requires that the premium on an individual callable debt security having an explicit, non-contingent call feature that is callable at fixed prices on preset dates be amortized to the earliest call date. After the earliest call date, if the call option is not exercised, then the yield should be reset using the payment terms required by the debt security. The adoption of ASU 2017-08 is required for Sharp on October 1, 2019, and management is currently evaluating the effect of this guidance, if any, on Sharp's obligated group financial statements.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, which changed both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedging results. The adoption of ASU 2017-12 is required for Sharp on October 1, 2019, and management is currently evaluating the effect of this guidance, if any, on Sharp's obligated group financial statements.

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In January 2018, the FASB issued ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*, which establishes a practical expedient for transition to Topic 842 for land easements concurrent with the adoption of FASB ASU 2016-02. Under the new guidance entities have the option, with land easements to which they do not apply current leases guidance and which exist or will expire before the adoption of FASB ASU 2016-02, to not evaluate such land easements under Topic 842. The adoption of ASU 2018-01 is required for Sharp when FASB ASU 2016-02 becomes effective, on October 1, 2019, and management is currently evaluating the effect of this guidance, if any, on Sharp's obligated group financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists not-for-profit and other entities in (1) evaluating whether transactions should be accounted for as contributions (i.e., non-reciprocal transactions) within the scope of the FASB ASC Topic 958, *Not-for-Profit Entities*, or as exchange (i.e., reciprocal) transactions subject to other guidance (e.g., FASB ASC 606, Revenue from Contracts with Customers), and (2) distinguishing between conditional and unconditional contributions. The adoption of ASU 2018-08 is required for Sharp on October 1, 2019 for transactions in which Sharp serves as a resource recipient and on October 1, 2020 for transactions in which Sharp serves as a resource provider. Management is currently evaluating the effect of this guidance, if any, on Sharp's obligated group financial statements.

In July 2018, the FASB issued ASU 2018-09, *Codification Improvements*, which, clarifies or corrects unintended guidance in the FASB Codification. Though most of the amendments are not expected to alter future practice or to result in significant administrative costs, the FASB notes that some of the amendments may have been improperly or inconsistently applied and, thus, could cause a change in practice. The adoption of ASU 2018-01 is required for Sharp when FASB ASU 2018-09 becomes effective, on October 1, 2019, and management is currently evaluating the effect of this guidance, if any, on Sharp's obligated group financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which removes, modifies, or adds disclosure requirements relating to fair value measurements to improve disclosure effectiveness by providing information in notes to the financial statements that is considered most important to users. The adoption of ASU 2018-13 is required for Sharp on October 1, 2020, and management is currently evaluating the effect of this guidance, if any, on Sharp's obligated group financial statements.

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which removes, adds, or clarifies disclosure requirements relating to defined benefit plans to improve disclosure effectiveness by providing information in notes to the financial statements that is considered most important to users. The adoption of ASU 2018-14 is required for Sharp on October 1, 2020, and management is currently evaluating the effect of this guidance, if any, on Sharp's obligated group financial statements.

In September 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which provides guidance on accounting for costs of implementation activities in a cloud computing arrangement that is a service contract. The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement with those for capitalizing costs incurred to develop or obtain internal-use software. The adoption of ASU 2018-15 is required for Sharp on October 1, 2020, and management is currently evaluating the effect of this guidance, if any, on Sharp's obligated group financial statements.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*, which clarifies the application of FASB guidance concerning collaborative arrangements in connection with the guidance on revenue recognition from contracts with customers. The adoption of ASU 2018-18 is required for Sharp on October 1, 2020, and management is currently evaluating the effect of this guidance, if any, on Sharp's obligated group financial statements.

In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which provides pre-effective guidance to the forthcoming rules on recognition and measurement of credit losses to clarify (1) the effective date for non-public business entities, and (2) that operating lease receivables are excluded from the scope of the new rules. The adoption of ASU 2018-18 is required for Sharp on October 1, 2020, and management is currently evaluating the effect of this guidance, if any, on Sharp's obligated group financial statements.

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, which revises the definition of the term "collections" in the FASB Codification's Master Glossary as that term applies to works of art and similar assets held by museums and certain other not-for-profit and business entities. The revised definition is consistent with that used by the American Alliance of Museums.. The adoption of ASU 2019-03 is required for Sharp on October 1, 2020, and management is currently evaluating the effect of this guidance, if any, on Sharp's obligated group financial statements.

2. Fair Value Measurements

FASB ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Pricing is based on observable inputs such as quoted prices in active markets. Financial assets and liabilities in Level 1 include U.S. Treasury securities and listed equities.

- Level 2: Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities in this category generally include corporate bonds, U.S. government agency securities, commercial paper, supranational bonds, negotiable certificates of deposit, fixed income funds, mortgage-backed securities, swaps, and commingled plan trust funds.

2. Fair Value Measurements (continued)

- Level 3: Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including but not limited to private and public comparables, third party appraisals, discounted cash flow models, and fund manager estimates. The obligated group does not hold any financial assets that would be included in this category.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in FASB ASC 820 as identified below. The valuation techniques are as follows:

(a) Market approach. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. This technique was utilized for all Level 1 and Level 2 investments except for the interest rate swaps.

(b) Cost approach. Amount that would be required to replace the service capacity of an asset (replacement cost).

(c) Income approach. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings model). This technique was utilized for interest rate swaps.

The obligated group's investments in partnerships, limited liability companies, and similarly structured entities amounting to approximately $16,401,000 million and $12,498,000 million as of March 31, 2019 and March 31, 2018, respectively, are accounted for using the equity method of accounting, which is not a fair value measurement.

2. Fair Value Measurements (continued)

The following table provides the composition of certain obligated group investment assets as of March 31, 2019. Only assets and liabilities measured at fair value on a recurring basis are shown in the three-tier fair value hierarchy.

	March 31, 2019	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV Practical Expedient
	(In Thousands)				
Short-term investments:					
U.S. Treasury obligations	$ 7,847	$ 7,847	$ -	$ -	$
Corporate bonds	20,573	-	20,573	-	-
U.S. government agencies	3,213	-	3,213	-	-
Commercial paper	2,340	-	2,340	-	-
Bank certificates of deposit	10,000	-	10,000	-	-
Asset-backed securities	76	-	76	-	-
Supranational	2,526	-	2,526	-	-
Interest receivable	165	-	165	-	-
	$ 46,740	$ 7,847	$ 38,893	$ -	$
Long-term investments:					
U.S. Treasury obligations	$ 57,744	$ 57,744	$ -	$ -	$
Corporate bonds	86,924	-	86,924	-	-
U.S. government agencies	43,055	-	43,055	-	-
Mortgaged-backed securities and collateralized mortgage obligations	8,262	-	8,262	-	-
Asset-backed securities	22,316	-	22,316	-	-
Supranational	12,139	-	12,139	-	-
Interest receivable	1,172	-	1,172	-	-
	$ 231,612	$ 57,744	$ 173,868	$ -	$

2. Fair Value Measurements (continued)

	March 31, 2019	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV Practical Expedient
	(In Thousands)				
Assets limited as to use:					
Designated for property:					
Cash and cash equivalents	$ 25,281	$ 25,281	$ -	$ -	$ -
Equities	1,235,670	1,235,670	-	-	-
U.S. Treasury obligations	444,930	444,930	-	-	-
Corporate bonds	393,159	-	393,159	-	-
U.S. government agencies	81,430	-	81,430	-	-
Mortgaged-backed securities and collateralized mortgage obligations	63,409	-	63,409	-	-
Commercial paper	15,281	-	15,281	-	-
Asset-backed securities	54,313	-	54,313	-	-
Supranational	27,116	-	27,116	-	-
Private Equity	1,274	-	-	-	1,274
Interest receivable	5,073	-	5,073	-	-
	$ 2,346,936	$ 1,705,881	$ 639,781	$ -	$ 1,274
Under bond indentures:					
Cash and cash equivalents	$ 113	$ 113	$ -	$ -	$ -
U.S. Treasury obligations	25,343	25,343	-	-	-
Corporate bonds	23,288	-	23,288	-	-
U.S. government agencies	3,987	-	3,987	-	-
Commercial paper	3,890	-	3,890	-	-
Asset-backed securities	5,438	-	5,438	-	-
Supranational	4,331	-	4,331	-	-
Interest receivable	238	-	238	-	-
	$ 66,628	$ 25,456	$ 41,172	$ -	$ -
Interest rate swap receivables	$ 3,595	$ -	$ 3,595	$ -	$ -
	$ 3,595	$ -	$ 3,595	$ -	$ -

2. Fair Value Measurements (continued)

The following table provides the composition of certain obligated group investment assets as of March 31, 2018. Only assets and liabilities measured at fair value on a recurring basis are shown in the three-tier fair value hierarchy.

	March 31, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV Practical Expedient
	(In Thousands)				
Short-term investments:					
U.S. Treasury obligations	$ 8,090	$ 8,090	$ -	$ -	$ -
Corporate bonds	20,720	-	20,720	-	-
U.S. government agencies	4,796	-	4,796	-	-
Commercial paper	5,426	-	5,426	-	-
Negotiable certificates of deposit	4,280	-	4,280	-	-
Asset-backed securities	116	-	116	-	-
Supranational	2,975	-	2,975	-	-
Interest receivable	214	-	214	-	-
	$ 46,617	$ 8,090	$ 38,527	$ -	$ -
Long-term investments:					
U.S. Treasury obligations	$ 54,803	$ 54,803	$ -	$ -	$ -
Corporate bonds	85,976	-	85,976	-	-
U.S. government agencies	33,520	-	33,520	-	-
Mortgaged-backed securities and collateralized mortgage obligations	4,159	-	4,159	-	-
Asset-backed securities	20,800	-	20,800	-	-
Supranational	13,534	-	13,534	-	-
Interest receivable	961	-	961	-	-
	$ 213,753	$ 54,803	$ 158,950	$ -	$ -

2. Fair Value Measurements (continued)

	March 31, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV Practical Expedient
			(In Thousands)		
Assets limited as to use:					
Designated for property:					
Cash and cash equivalents	$ 14,487	$ 14,487	$ -	$ -	$ -
Equities	1,244,510	1,244,510	-	-	-
U.S. Treasury obligations	326,729	326,729	-	-	-
Corporate bonds	327,297	-	327,297	-	-
U.S. government agencies	64,756	-	64,756	-	-
Mortgaged-backed securities and collateralized mortgage obligations	41,394	-	41,394	-	-
Commercial paper	30,637	-	30,637	-	-
Asset-backed securities	46,128	-	46,128	-	-
Supranational	16,983	-	16,983	-	-
Interest receivable	3,717	-	3,717	-	-
	$ 2,116,638	$ 1,585,726	$ 530,912	$ -	$ -
Under bond indentures:					
Cash and cash equivalents	$ 906	$ 906	$ -	$ -	$ -
U.S. Treasury obligations	42,226	42,226	-	-	-
Corporate bonds	72,540	-	72,540	-	-
U.S. government agencies	3,714	-	3,714	-	-
Commercial paper	14,550	-	14,550	-	-
Asset-backed securities	10,218	-	10,218	-	-
Supranational	17,696	-	17,696	-	-
Interest receivable	586	-	586	-	-
	$ 162,436	$ 43,132	$ 119,304	$ -	$ -
Interest rate swap receivables	$ 4,732	$ -	$ 4,732	$ -	$ -
	$ 4,732	$ -	$ 4,732	$ -	$ -

2. Fair Value Measurements (continued)

The following table and explanations identify attributes relating to the nature and risk of the investment for which fair value is determined using a calculated NAV as of March 31, 2019. There were no investments in this category as of March 31, 2018.

NAV Practical Expedient	March 31, 2019 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
	(In Thousands)			
Private equity	**$ 1,274**	**$ 3,726**	**$ -**	**$ -**
	$ 1,274	**$ 3,726**	**$ -**	**$ -**

There is no provision for redemption of funds during the term of the fund. Distribution from the fund will be received at the end of the charter term, which is estimated to be over the next 12 years.

3. Investment Income

Investment income for assets limited as to use, long-term investments, short-term investments and cash equivalents are comprised of the following:

	Six Months Ended March 31, 2019	2018
	(In Thousands)	
Interest income	**$ 33,492**	$ 25,744
Unrealized (losses) gains, net	**(10,634)**	22,241
Realized gains, net	**6,881**	4,653
Investment income	**$ 29,739**	$ 52,638

4. Endowments

Sharp's endowments consist of 55 separate endowment funds included in assets limited as to use established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors of Sharp's affiliated foundations to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

On September 30, 2008, California Senate Bill No. 1329 was signed into law which enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) for California. California also adopted one of the "optional" provisions of the act, creating a rebuttable presumption of imprudence for spending more than 7% of the value of an endowment fund in one year (based on a three-year rolling average). The Board has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Sharp classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Sharp in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Sharp considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of Sharp and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Sharp, and (7) the investment policies of Sharp.

The endowment net asset composition as of March 31, 2019, by fund type was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		(In Thousands)		
Board-designated endowment funds	**$ 4,672**	**$ 3,699**	**$ –**	**$ 8,371**
Donor-restricted endowment funds	**–**	**6,694**	**9,022**	**15,716**
Total funds	**$ 4,672**	**$ 10,393**	**$ 9,022**	**$ 24,087**

4. Endowments (continued)

The endowment net asset composition as of September 30, 2018, by fund type was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(In Thousands)			
Board-designated endowment funds	$ 4,572	$ 3,699	$ –	$ 8,271
Donor-restricted endowment funds	–	6,625	8,994	15,619
Total funds	$ 4,572	$ 10,324	$ 8,994	$ 23,890

Sharp has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while balancing the risk of investment loss with long-term preservation of purchasing power. Endowment assets include those assets of donor-restricted funds that Sharp must hold in perpetuity or for a donor-specified period as well as board-designated funds.

Sharp targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Sharp's spending policy is to annually appropriate for distribution no more than 4% per year of each endowment fund's average fair value (based on a two-year rolling average).

4. Endowments (continued)

Sharp's changes in endowment net assets for the periods presented were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(In Thousands)			
Endowment net assets, October 1, 2017	$ 4,111	$ 8,966	$ 6,698	$ 19,775
Investment return:				
Investment income	290	414	–	704
Net depreciation (realized and unrealized)	247	300	–	547
Total investment return	537	714	–	1,251
Contributions	(39)	747	2,296	3,004
Appropriation of endowment assets for expenditure	(37)	(103)	–	(140)
Endowment net assets, September 30, 2018	4,572	10,324	8,994	23,890
Investment return:				
Investment income	**115**	**132**	**–**	**247**
Net appreciation (realized and unrealized)	**(15)**	**(143)**	**–**	**(158)**
Total investment return	**100**	**(11)**	**–**	**89**
Contributions	**-**	**100**	**28**	**128**
Appropriation of endowment assets for expenditure	**-**	**(20)**	**–**	**(20)**
Endowment net assets, March 31, 2019	**$ 4,672**	**$ 10,393**	**$ 9,022**	**$ 24,087**

5. Subsequent Events

In preparing these obligated group financial statements, management has evaluated and disclosed all material subsequent events up to May 14, 2019 which is the date that the obligated group financial statements were available to be issued.

Other Financial Information

SIGNIFICANT FINANCIAL TRANSACTIONS

Termination of Participation in Next Generation Accountable Care Organization – Effective January 1, 2017, Sharp was selected to participate in the Next Generation Accountable Care Organization ("ACO") model, an initiative sponsored by the Centers for Medicare and Medicaid Services ("CMS"). Sharp is the only health care organization in San Diego selected to participate as a Next Generation ACO. Through the Next Generation ACO Model, the newly created Sharp HealthCare ACO-II, a limited liability company ("Sharp ACO"), provided approximately 34,000 Medicare beneficiaries a program in San Diego County that enhances the engagement between patients and their medical providers in the coordination of care and services across all aspects of their health care needs. Sharp ACO was a systemwide effort comprising physicians who are part of Sharp Community Medical Group, an independent physician association (including Graybill Medical Group); Sharp Rees-Stealy Medical Group, a multispecialty medical group practice; and all Sharp HealthCare hospitals including SCVMC, SCHHC, SGH, SMH. Pursuant to the participation agreement, Sharp ACO selected a 100% shared savings model as its risk arrangement with a 5% sharing/loss cap. Sharp recognized a $1.3 million gain and a $4.4 million loss of estimated ACO net shared loss for 2017 during fiscal years 2018 and 2017, respectively, which was reported as a current liability in the accompanying fiscal year 2018 balance sheet. Sharp ACO was obligated to maintain a Financial Guarantee with CMS for possible shared losses under the Next Generation ACO Model. The Financial Guarantee represents two percent (2%) of an ACO's baseline expenditures, or $5.2 million for Sharp ACO. Sharp ACO borrowed $5.2 million from Sharp to fund the Financial Guarantee and a receivable was recorded by Sharp for the corresponding amount which is included in accounts receivable, net on the balance sheet. On January 15, 2018, Sharp ACO notified CMS that it was terminating its participation in the Next Generation ACO model effective February 28, 2018, thereby being responsible for shared savings or losses only for calendar year 2017. In December 2018, Sharp made a $3.3 million capital contribution to fund the final net shared loss plus operating expenses of Sharp ACO through October 2018.

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PATIENT ACTIVITY - The obligated group average daily census for the quarter ended March 31, 2019 was 1,311.7, which was unfavorable to budget by 9.5 patients per day. Acute average daily census was unfavorable to budget by 5.3 patients per day and skilled nursing facility average daily census was unfavorable by 4.2 patients per day. The observation census was 71.0, which was unfavorable to budget by 1.9 patients per day. The combined inpatient and observation census totaled 1,382.7 which was unfavorable to budget by 11.4 patients per day.

The obligated group average daily census for the quarter ended March 31, 2019 was 38.5 patients per day favorable to the same quarter of the prior year. Acute average daily census was favorable to prior year by 25.5 patients per day and skilled nursing facility average daily census was favorable to prior year by 13.0 patients per day. The observation census was unfavorable to prior year by 4.3 patients per day. The combined inpatient and observation census was favorable to prior year by 34.2 patients per day.

Quarter Ended March 31, 2019	Prior Year	Current Quarter						YTD
		Actual	PY Var	PY Var %	Budget	Budget Var	Budget Var %	Var %
Combined Hospitals:								
Adj. discharges	33,233	32,877	(356)	-1.1%	33,759	(882)	-2.6%	-1.2%
Acute discharges	20,744	20,706	(38)	-0.2%	21,273	(567)	-2.7%	-1.5%
SNF discharges	227	324	97	42.7%	340	(16)	-4.7%	-13.1%
Average Daily Census	1,273.2	1,311.7	38.5	3.0%	1,321.2	(9.5)	-0.7%	-1.1%
Observation Average Daily Census	75.3	71.0	(4.3)	-5.7%	72.9	(1.9)	-2.6%	-1.4%
Outpatient visits (2)	205,482	204,650	(832)	-0.4%	199,826	4,824	2.4%	0.8%
Sharp Rees-Stealy, SharpCare, SCTC, & SKPTC (1):								
Physician visits	367,517	364,502	-3,015	-0.8%	361,240	3,262	0.9%	-2.6%

(1) SCTC is Sharp Cardiovascular and Thoracic Center; SKPTC is Sharp Kidney & Pancreas Transplant Center
(2) In June 2018, certain hospital based lab tests were moved to Sharp's independent lab.

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RESULTS OF OPERATIONS – A summary of the obligated group results of operations for the quarter is as follows (in thousands):

Quarter Ended March 31, 2019	Prior Year (as restated)	Current Quarter Actual	PY Var	% Var	Budget	Budget Var	% Var	YTD Var %
Operating Revenue	$ 836,928	$ 847,741	$ 10,813	1.3%	$ 866,277	$ (18,536)	-2.1%	-1.4%
Operating Expenses	748,891	774,964	(26,073)	-3.5%	784,360	9,396	1.2%	1.1%
EBITDA from Operations	**88,037**	**72,777**	**(15,260)**	**-17.3%**	**81,917**	**(9,140)**	**-11.2%**	**-4.7%**
Deprec, Amort, Taxes & Interest	33,264	35,500	(2,236)	-6.7%	36,634	1,134	3.1%	3.6%
Income from Operations	**54,773**	**37,277**	**(17,496)**	-31.9%	**45,283**	**(8,006)**	**-17.7%**	**-5.6%**
Investment Income (Loss)	(12,891)	170,177	183,068	1420.1%	22,644	147,533	651.5%	-39.6%
Mark to Market Swaps	2,138	(2,169)	(4,307)	-201.4%	-	(2,169)	-100.0%	-100.0%
Other Income	51	517	466	913.7%	414	103	100.0%	178.3%
Non-Operating Income (Loss)	**(10,702)**	**168,525**	**179,227**	**1674.7%**	**23,058**	**145,467**	**630.9%**	**-46.2%**
Excess of Revenue over Expense	**$ 44,071**	**$ 205,802**	**$ 161,731**	**367.0%**	**$ 68,341**	**$ 137,461**	**201.1%**	**-21.6%**

For the quarter, total operating revenue was unfavorable to budget by 2.1%. Net patient service revenue was unfavorable to budget by 2.2%, provider tax revenue was same as budget, premium revenue was unfavorable to budget by 0.8%, and other operating revenue was unfavorable to budget by 17.4%.

Operating expenses for the quarter were favorable to budget by 1.2%, primarily in supplies and medical fees, partially offset by purchased services.

The Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") margin for the quarter was 28.5% compared to budget of 12.1%. The EBITDA from operations margin for the quarter was 8.6% compared to budget of 9.5%.

Year to date, total operating revenue was unfavorable to budget by 1.4%. Net patient service revenue was unfavorable to budget by 2.3%, premium revenue was unfavorable to budget by 0.2% and other operating revenue was unfavorable to budget by 0.4%.

Operating expenses year to date were favorable to budget by 1.1%, primarily in staffing supplies, and medical fees, partially offset by purchased services.

The EBITDA margin year to date was 10.0% compared to budget of 11.6%. The EBITDA from operations margin year to date was 8.4% compared to budget of 8.7%.

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KEY FINANCIAL RATIOS - A summary of the obligated group key financial ratios is as follows:

Quarter Ended March 31, 2019	FY 2018 Actual* (as restated)	Qtr End 3/31/19	YTD Actual	YTD Budget
Key Ratios				
EBITDA From Operations Margin	10.4%	8.6%	8.4%	8.7%
EBITDA Margin	14.3%	28.5%	10.0%	11.6%
Current Ratio	5.9	6.7	6.7	-
Account Receivable (Days)	43.4	49.1	50.0	-
Debt to Capitalization	17.2%	16.8%	16.8%	-
Days Cash on Hand**	319.5		326.4***	320.8***

* FY 2018 amounts represent final year-end ratios.
** Days Cash on Hand is calculated based on total consolidated system information.
*** YTD Actual Days Cash on Hand amount is calculated based on year-end forecast.
Any amounts recorded for the Medi-Cal Hospital Fee Program are included in the amounts above.

YEAR TO DATE PATIENT STATISTICS

Year to Date March 31, 2019	Last Year	Actual	PY Var	% Var	Budget	Budget Var.	%
Combined Hospitals:							
Admissions	41,652	41,624	(28)	-0.1%	41,852	(228)	-0.5%
Discharges	41,711	41,675	(36)	-0.1%	42,379	(704)	-1.7%
Patient Days	225,645	229,729	4,084	1.8%	232,312	(2,583)	-1.1%
Outpatient Visits (1)	407,767	401,304	(6,463)	-1.6%	398,285	3,019	0.8%
Outpatient Surgeries	13,686	13,367	(319)	-2.3%	13,818	(451)	-3.3%
Total Surgeries	21,821	21,181	(640)	-2.9%	22,600	(1,419)	-6.3%
Emergency Room Visits	136,340	134,108	(2,232)	-1.6%	134,805	(697)	-0.5%
Newborn Admissions	6,270	5,881	(389)	-6.2%	6,310	(429)	-6.8%

(1) In June 2018, certain hospital based lab tests were moved to Sharp's independent lab.

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COMBINED STATEMENT OF OPERATIONS:

1. Net Patient Service Revenue for the quarter ended March 2019 totaled $499.9 million compared to $492.6 million for the quarter ended March 2018. Compared to budget, an unfavorable variance of $11.4 million, or 2.2%, was realized due primarily to lower than anticipated volumes and unfavorable payor mix.

   On a year to date basis, net patient service revenue was $993.6 million compared to $990.7 million in the prior year. Compared to budget, an unfavorable variance of $23.6 million, or 2.3%, was realized due primarily to lower than anticipated volumes and an unfavorable mix of services.

2. Provider Tax Revenue for the quarter ended March 2019 totaled $59.3 million. The prior year results include $56.8 million of Provider Tax revenue.

   On a year to date basis, provider tax revenue totaled $118.7 million. The prior year results include $113.5 million of Provider Tax revenue.

3. Premium Revenue for the quarter ended March 2019 totaled $265.2 million compared to $259.8 million for the quarter ended March 2018. Compared to budget, an unfavorable variance of $2.2 million, or 0.8%, was realized due primarily to lower than anticipated enrollment.

   On a year to date basis, premium revenue totaled $524.9 million compared to $507.7 million in fiscal 2018. Compared to budget, an unfavorable variance of $1.1 million, or 0.2%, was realized due primarily to lower than anticipated enrollment.

4. Other Operating Revenue includes unrestricted donations, retail pharmacy gross profits, management services income and joint venture income. For the quarter ended March 2019, other operating revenue totaled $23.3 million compared to $27.8 million for the quarter ended March 2018. Compared to budget, an unfavorable variance of $4.9 million, or 17.4%, was realized due primarily to the allocation of investment income to affiliated entities not included in the Obligated Group.

   On a year to date basis, other operating revenue totaled $57.0 million compared to $53.8 million in fiscal 2018. Compared to budget, a favorable variance of $233,000, or 0.4%, was realized.

COMBINED STATEMENT OF OPERATIONS (continued):

5. Operating Expenses for the quarter ended March 2019 (excluding depreciation, amortization, taxes and interest) totaled $775.0 million compared to $748.9 million for the quarter ended March 2018. Compared to budget, a favorable variance of $9.4 million, or 1.2%, was realized. Significant quarterly fluctuations were the result of the following as compared to budget:

    a. A decrease in supplies of $6.4 million, or 5.8%, primarily due to decreased pharmaceutical expenses and the timing of equipment purchases for capital projects that do not meet capitalization criteria.

    b. A decrease in medical fees of $5.4 million, or 5.8%, primarily due to decreased provider incentive estimates.

    c. An increase in purchased services of $3.2 million, or 3.8%, primarily due to increased out of network claims expense.

    On a year to date basis, operating expenses were $1.6 billion, which was $72.2 million, or 4.8%, higher than prior year. Compared to budget, a favorable variance of $17.4 million, or 1.1%, was realized. Significant year to date fluctuations were the result of the following as compared to budget:

    a. A decrease in staffing of $5.1 million, or 0.6%, primarily due to lower than anticipated volumes.

    b. A decrease in supplies of $4.9 million, or 2.2%, primarily due to decreased pharmaceutical expenses and the timing of equipment purchases for capital projects that do not meet capitalization criteria.

    a. A decrease in medical fees of $6.6 million, or 3.7%, primarily due to decreased provider incentive estimates.

    b. An increase in purchased services of $3.2 million, or 1.9%, primarily due to increased out of network claims expense.

6. EBITDA from Operations for the quarter ended March 2019 was $72.8 million compared to $88.0 million for the quarter ended March 2018. Compared to budget an unfavorable variance of $9.1 million, or 11.2%, was realized.

    On a year to date basis, EBITDA from Operations was $142.1 million compared to $184.6 million in fiscal 2018. Compared to budget, an unfavorable variance of $6.9 million, or 4.7%, was realized.

7. Income from Operations for the quarter ended March 2019 was $37.3 million compared to $54.8 million for the quarter ended March 2018. Compared to budget, an unfavorable variance of $8.0 million, or 17.7%, was realized.

COMBINED STATEMENT OF OPERATIONS (continued):

On a year to date basis, Income from Operations was $72.0 million compared to $118.6 million in fiscal 2018. Compared to budget, an unfavorable variance of $4.3 million, or 5.6%, was realized.

8. Non-Operating Income (Loss) includes fundraising expenses, gains/losses on disposal of fixed assets, investment income (including changes in unrealized gains/losses on investments), mark to market adjustments on swaps, and other non-operating gains and losses. For the quarter ended March 2019, non-operating income was $168.5 million compared to a loss of $10.7 million for the quarter ended March 2018. Compared to budget, a favorable variance of $145.5 million was realized due primarily to favorable investment income resulting from equity market rebound. Investment income was comprised of $147.7 million of unrealized gains, $15.6 million of interest income and $6.9 million of realized investment gains.

   On a year to date basis, non-operating income was $26.7 million compared to $44.4 million in fiscal 2018. Compared to budget, an unfavorable variance of $23.0 million was realized due primarily to unfavorable investment income and losses on swap contracts. Year to date investment income was comprised of $33.5 million of interest income, $6.9 million of realized investment gains, partially offset by $10.6 million of unrealized losses.

9. Excess (Deficit) of Revenue over Expenses – Excess of Revenue over Expenses for the quarter ended March 2019 was $205.8 million compared to $44.1 million for the quarter ended March 2018. Compared to budget, a favorable variance of $137.5 million was realized.

   On a year to date basis, Excess of Revenue over Expenses was $98.7 million compared to $163.0 million in fiscal 2018. Compared to budget, an unfavorable variance of $27.3 million, or 21.6%, was realized.

10. EBITDA – EBITDA, including the non-operating items, was $241.3 million for the quarter ended March 2019 compared to $77.3 million for the quarter ended March 2018. Compared to budget, a favorable variance of $136.3 million was realized.

    On a year to date basis, EBITDA was $168.9 million compared to $228.9 million in fiscal 2018. Compared to budget, an unfavorable variance of $29.9 million, or 15.0%, was realized.

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BALANCE SHEET:

Assets:

1. Cash and cash equivalents decreased $122.9 million year to date due primarily to cash used in operations, investment of cash into longer-term investments and the acquisition of property, plant and equipment.

2. Accounts receivable, net increased $86.0 million year to date due primarily to an increase in net patient receivables and Medi-Cal Hospital Fee program activity. Days in accounts receivable were 50.0 as of March 31, 2019 as compared to 43.4 as of September 30, 2018.

3. Prepaid expenses and other current assets increased $3.2 million year to date due primarily to increased prepaid service contracts

4. Long-term investments and assets limited as to use increased $67.3 million year to date on a combined basis primarily due to investment income, the purchase of longer-term investments from operating cash and short-term investments.

5. Net property, plant and equipment increased $16.6 million year to date due primarily to ongoing construction of the SCVMC Ocean View Tower and other asset purchases, partially offset by standard asset depreciation.

Liabilities:

1. Accounts payable and accrued liabilities decreased $36.1 million year to date due primarily to Medi-Cal Hospital Fee program and hospital pool activity, partially offset by the timing of check runs as they relate to current and prior month-ends.

2. Accrued compensation and benefits decreased $15.2 million year to date due primarily to the timing of pay periods as they relate to the current and prior period ends, the payment of fiscal year 2018 management incentives and paid time off payouts, partially offset by the accrual of first and second quarter management incentives.

3. Long-term liabilities increased $9.6 million year to date due primarily to the monthly defined benefit pension accrual.

4. Long-term debt (including current portion of long-term debt) decreased $3.3 million due primarily to payment of capital lease obligations and principal payments on the 2010A bonds.

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STATEMENT OF CASH FLOWS:

Cash Flows for the Quarter - During the quarter ended March 31, 2019, cash provided by operations was $4.0 million. Cash used in investing activities totaled $41.6 million and included $38.3 million used to acquire property, plant and equipment. Cash used in financing activities totaled $1.4 million for debt related activities.

On a year to date basis, cash used in operations was $43.2 million. Cash used in investing activities totaled $76.9 million and included $73.6 million to acquire property, plant and equipment. Cash used in financing activities totaled $2.8 million for debt related activities.